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TORONTO STOCK EXCHANGE

SEVEN ARTS PRODUCTIONS LIMITED

(formerly Creative Telefilms & Artists Limited)

Full corporate name of Company
Incorporated under the laws of Ontario by Letters
Patent dated August 27th, 1919

Particulars of incorporation (e.g., Incorporated under Part IV of the Corporations Act, 1953
(Ontario) by Letters Patent dated May 1st, 1957).

FILING STATEMENT No. 564.

ACCEPTED FOR FILING, MARCH 23rd, 1961.

FILING STATEMENT

Reference is made to previous
Amending Filing Statement No. 26.

(To be filed with respect to any material change in a company's affairs, including among other things,
an underwriting and option agreement, an issue of shares for property and a proposed re-organization.)

1. Brief statement of the material change in the affairs of the company in respect of which this statement is	See attached Schedule A on page 2.
2. Head office address and any other office address.	11 Adelaide Street West, Toronto, Ontario.
3. Names, addresses and chief occupations for the past five years of present or proposed officers and directors.	See attached Schedule B on page 3.
4. Share capitalization showing authorized and issued and outstanding capital.	The authorized capital of the Company consists of 5,000,000 common shares without par value of which 1,153,250 are issued and outstanding.
5. Particulars in respect of any bonds, debentures, notes, mortgages, charges, liens or hypothecations outstanding.	<p>The Company created and issued \$15,000,000 (U.S.) principal amount of 5½% Convertible Debentures due January 15, 1968 for a consideration of \$15,000,000.00 (U.S.). The debentures are direct obligations of the Company and are issued under and pursuant to a Trust Indenture dated as of January 15, 1960 and made between the Company and The Toronto General Trusts Corporation and The Franklin National Bank of Long Island, as Trustees. The debentures are not secured by any mortgage, pledge, charge, or other lien. There is no sinking fund for the debentures. The debentures are convertible on or after January 15, 1961 into fully paid and non-assessable common shares in the capital of the Company at the price of \$6.50 (U.S.) per share if such conversion takes place on and after January 15, 1961 and on or before January 15, 1963; at the price of \$7.50 (U.S.) per share if such conversion takes place after January 15, 1963 and on or before January 15, 1965; at the price of \$10.00 (U.S.) per share if such conversion takes place after January 15, 1965.</p> <p>Mr. Morton I. Craft holds an option to purchase all or any part of 12,500 common shares at a price of \$4 per share, which option may be exercised by Mr. Craft at any time during his 5 year employment term with Seven Arts Record Productions Corp. (formerly United Telefilm Records Inc.), provided that Mr. Craft shall not be entitled to purchase more than 2,500 common shares during the first year of his employment, more than 5,000 common shares during the second year of his employment; more than 7,500 common shares during the third year of his employment, more than 10,000 common shares during the fourth year of his employment or more than 12,500 during the fifth year of his employment.</p> <p>As stated in Item 5, the Debentures of the Company are convertible into common shares on the basis set out in said Item.</p> <p>The Company has granted to David B. Stillman, Eliot Hyman and John Reagan McCrary restricted stock options (as that term is defined in the United States Internal Revenue Code) to purchase at any time or from time to time prior to June 13, 1965 75,000, 50,000 and 25,000 common shares, respectively, in each case at a price of \$9.62 per share. The options are not assignable or transferable except to the extent that the estate of a holder may exercise the options at any time during a period of two years following the date of death of the holder. The options expire 3 months following the cessation of the holder's employment by the Company in the event of such cessation of employment occurring prior to the end of the 5 year period of the options.</p>
6. Details of any treasury shares or other securities now the subject of any underwriting, sale or option agreement, or of any proposed underwriting, sale or option agreement.	<p>Mr. Morton I. Craft holds an option to purchase all or any part of 12,500 common shares at a price of \$4 per share, which option may be exercised by Mr. Craft at any time during his 5 year employment term with Seven Arts Record Productions Corp. (formerly United Telefilm Records Inc.), provided that Mr. Craft shall not be entitled to purchase more than 2,500 common shares during the first year of his employment, more than 5,000 common shares during the second year of his employment; more than 7,500 common shares during the third year of his employment, more than 10,000 common shares during the fourth year of his employment or more than 12,500 during the fifth year of his employment.</p> <p>As stated in Item 5, the Debentures of the Company are convertible into common shares on the basis set out in said Item.</p> <p>The Company has granted to David B. Stillman, Eliot Hyman and John Reagan McCrary restricted stock options (as that term is defined in the United States Internal Revenue Code) to purchase at any time or from time to time prior to June 13, 1965 75,000, 50,000 and 25,000 common shares, respectively, in each case at a price of \$9.62 per share. The options are not assignable or transferable except to the extent that the estate of a holder may exercise the options at any time during a period of two years following the date of death of the holder. The options expire 3 months following the cessation of the holder's employment by the Company in the event of such cessation of employment occurring prior to the end of the 5 year period of the options.</p>
7. Names and addresses of persons having any interest, direct or indirect in underwritten or optioned shares or other securities or assignments, present or proposed, and, if any assignment is contemplated, particulars thereof.	Reference is made to Item 6.
8. Any payments in cash or securities of the company made or to be made to a promoter or finder in connection with a proposed underwriting or property acquisition.	NONE
9. Brief statement of company's future development plans, including proposed expenditure of proceeds of sale of treasury shares, if any.	<p>The Company directly or through its subsidiaries contemplates engaging in the amusement industry, particularly in the television, motion picture, theatrical and musical phases thereof. The Company and/or its subsidiaries have acquired rights to motion pictures, to a substantial number of produced pictures now in theatrical and/or television release and to a number of pictures now in production and to be released. The Company also contemplates that it will invest in the stock of The Grand Bahama Development Company Limited, a Bahamian corporation, which the Company and The Grand Bahama Port Authority Ltd. proposes to be organized on terms and conditions being negotiated between representatives of the Company and The Grand Bahama Port Authority Ltd.. The Company will undertake to submit a further filing statement setting forth the pertinent facts in relation to such investment.</p>

APR 7 1961

- (a) Seven Arts Associated Corp. (hereinafter referred to as "Seven Arts-U.S."), a wholly owned subsidiary of the Company, proposes to acquire from Twentieth Century-Fox Film Corporation (hereinafter referred to as "Fox") the exclusive right for a period of 10 years to distribute for telecasting 88 feature motion pictures of Fox. The rights so to be acquired will be evidenced by two agreements, one (hereinafter referred to as the "domestic agreement") covering all of the United States of America, its territories and possessions, Canada and that part of Mexico which is within 60 miles of the United States border, and the other (hereinafter referred to as the "foreign agreement") covering the world, except the territory covered by the domestic agreement and certain other specified territories.

Under the domestic agreement, Seven Arts-U.S. will pay to Fox (i) \$4,200,000 on execution of the agreement, (ii) \$2,200,000 on or before one year after the date of the domestic agreement, together with interest on said amount at the rate of 6% per annum from the date of the domestic agreement until payment, (iii) an amount equal to 50% of "net profits" of the pictures covered by the domestic agreement computed as hereinafter set out. The domestic agreement will provide that, from the gross receipts derived by Seven Arts-U.S. from the exploitation of the pictures covered thereby, Seven Arts-U.S. is entitled to retain for itself a distribution fee of 35% of such gross receipts and the balance, after deduction of such distribution fee, constitutes net receipts. From such net receipts, Seven Arts-U.S. is entitled to recoup the following: (i) amounts expended for film processing and acquisition of positive prints, for advertising, for transportation of prints, etc., up to an amount equal to 5% of gross receipts; (ii) the sum of \$4,200,000 paid on the execution of the domestic agreement together with an amount equal to interest actually paid by Seven Arts-U.S. on a loan to be made to it by The First National Bank of Boston to make said payment; (iii) the sum of \$2,200,000 if Seven Arts-U.S. shall have paid said amount on or before one year after the date of the domestic agreement together with an amount equal to the interest paid by Seven Arts-U.S. to Fox on said payment; (iv) the additional sum of \$960,000. After deduction from net receipts of the amounts specified above, all remaining net receipts are defined as "net profits" and 50% thereof is to be paid to Fox and the balance retained by Seven Arts-U.S.

Under the foreign agreement, no initial payment is to be made by Seven Arts-U.S. to Fox. Seven Arts-U.S. is to be entitled to retain for itself a distribution fee of 35% of gross receipts, is entitled to recoup itself for expenses incurred for film processing, acquisition of positive prints, advertising, transportation of prints, etc., up to an amount equal to 5% of gross receipts and 50% of the amount of gross receipts remaining after deduction of the aforesaid distribution fee and the aforesaid expenses is to be paid to Fox and the balance retained by Seven Arts-U.S.

- (b) Seven Arts-U.S. proposes to borrow from The First National Bank of Boston the additional sum of \$4,200,000 in order to enable it to make payment of the sum of \$4,200,000 payable to Fox on the execution of the domestic agreement. The said amount will be borrowed pursuant to the credit agreement between Seven Arts-U.S. and The First National Bank of Boston referred to in Amending Filing Statement No. 26 of the Company accepted for filing on January 19, 1961. The credit agreement will be appropriately amended in respect of such borrowing and the rights to be acquired by Seven Arts-U.S. from Fox will be pledged with The First National Bank of Boston as additional security for the due repayment of the total borrowings under the said credit agreement. Pursuant to the guaranty agreement previously executed by the Company in favour of The First National Bank of Boston (as referred to in said Amending Filing Statement), the Company will unconditionally guaranty the due repayment of the additional amount so to be borrowed by Seven Arts-U.S. from The First National Bank of Boston.

FINANCIAL STATEMENTS

SEVEN ARTS PRODUCTIONS LIMITED Consolidated Balance Sheet December 31, 1960 (U.S. Dollars)

Assets

Current assets:			
Cash		\$ 356,872.68	
Due from brokers		250,359.26	
Notes and accounts receivable:			
Notes	\$ 178,569.00		
Accounts (note 2)	369,033.36		
Installments	306,497.01		
	854,099.37		
Less provision for doubtful accounts	40,000.00	814,099.37	\$ 1,421,331.31
Inventory		121,860.50	
Carreras and related companies			
In distribution	1,427,560.09		
Less amortization	739,192.79		
	688,367.30		
In production	326,083.34	1,014,450.64	
Seven Arts ventures			
In distribution	1,196,055.06		
Less amortization	10,400.00		
	1,185,655.06		
Unrecouped negative cost	971,694.70		
Other rights	1,054,423.83	3,211,773.59	
Prepaid expenses and deposits		67,270.61	
Advance royalties less provision for loss \$142,743.16		231,135.54	4,646,490.88
Total current assets			6,067,822.19
Non-current receivables:			
Installment		418,548.96	
Sale of Andrea (note 3)		525,000.00	943,548.96
Advances to subsidiaries:			
Consolidated		\$ 0.00	
Non-consolidated			
G.J. Associates (note 4B)		195,500.00	
Barbizon (note 4A)		10,000.00	205,500.00
Investment in subsidiaries:			
Consolidated		0.00	
Non-consolidated			
Transworld Pictures (note 4C)		6,250.00	
Barbizon (note 4A)		17,500.00	
G.J. Associates (note 4B)		100.00	23,850.00
Investment in motion pictures and other rights:			
Warners TV-pre 1949 less \$347,173.42		1,022,213.98	
Warners TV-post 1950 less \$121,600.00 amortization		10,933,400.00	
United Artists ventures			
In distribution	\$ 1,833,130.19		
Less amortization	604,251.49		
	1,228,878.70		
In production	4,549,072.84		
Other costs	132,498.32		
	5,910,449.86		
Less indebtedness payable solely from picture income	5,859,374.86	51,075.00	
Total investment			12,006,688.98
Furniture, fixtures and leasehold improvements		147,550.04	
Less accumulated amortization		21,851.78	125,698.26
Unamortized debt expense			51,512.95
Organization expense			9,620.83
Other			18,000.00
			\$19,452,242.17

LIABILITIES

Current Liabilities:			
Notes payable - current		\$ 224,556.00	
Accounts payable		681,447.02	
Accrued interest		384,145.48	
Canadian taxes on income		28,963.47	\$ 1,319,111.97
Notes payable - non current			136,917.00
Deferred income (note 5)			1,287,194.60
5½% convertible debentures due January 15, 1968 (note 6)			15,000,000.00

STOCKHOLDERS EQUITY

Capital Stock:			
Authorized 5,000,000 no par value - Issued and outstanding 1,153,250		\$2,304,368.75	
Deficit		595,350.15	\$ 1,709,018.60
			\$ 19,452,242.17

"E. D. Wright"

Director

"G. P. Cass"

Director

SEVEN ARTS PRODUCTIONS LIMITED
December 31, 1960
Notes to the Consolidated Financial Statement

1) Consolidation:

- a) All wholly owned subsidiaries have been consolidated. Investments in nonconsolidated subsidiaries represent 50% ownership in such companies. (See note 4)
- b) The financial statements are stated in U.S. dollars. In converting the balance sheet of Seven Arts Productions Ltd. investments in motion pictures, except the net investment in the Warner's pre 1949 TV library, investment in and advances to subsidiaries, notes payable and 5½% convertible debentures are converted at the historical rate. All other assets and liabilities are converted at the current rate.

In subsequent statements the investment in the Warner's pre 1949 TV library and furniture and fixtures will also be converted at historical cost.

2) Accounts receivable:

Includes approximately \$125,000.00 due from Hammer Films. The company intends to invest this sum in future productions of Hammer Films.

3) Sale of Andrea:

Subject to litigation with United Artists.

4) Investment in and advances to subsidiaries:

- a) Barbizon: The company has acquired screen rights to BIG BROKER and RENDEZ-VOUS and is developing these properties for screen adaptation.
- b) G.J. Associates: The company was incorporated in October, 1959 and has acquired screen rights to the TRIAL OF MARY TODD LINCOLN and SEVEN KEYS TO BALDPAPE and is developing these properties for screen adaptation.
- c) Trans World Pictures: Trans World is currently producing the motion picture LOLITA. The advances to Trans World for use in the production LOLITA are included in Seven Arts investments in motion pictures.

5) Deferred Income:

Deferred income arises as follows:

Unbilled television film rental-	\$ 631,695.97
Advances from United Artists to be repaid if and when the United Artists' properties produce income in excess of the picture liabilities.	

655,498.63
\$ 1,287,194.60

6) 5½% convertible debentures:

The 5½% convertible debentures due January 15, 1968 are direct obligations of the company and are issued under and pursuant to a Trust Indenture. The debentures are not secured by any mortgage, pledge, charge or other lien. There is no sinking fund for the debentures. The Trust Indenture provides inter alia, that the debentures are redeemable after February 15, 1961 and prior to maturity in whole or in part from time to time at the option of the company at the principal amount thereof plus a premium of 6% of such principal amount if redeemed after February 15, and on or before January 15, 1962 and thereafter the said premium decreasing 1% for each year commenced or elapsed from January 15, 1962 to the date specified for redemption and to and including January 15, 1967 and thereafter and prior to maturity at the principal amount thereof; together in each case with accrued interest to the date specified for redemption. The debentures are convertible on and after January 15, 1961 into fully-paid and non-assessable common shares in the capital of the company (without adjustment for interest accrued on such debentures or for dividends on common shares issuable on conversion) (i) at the price of \$6.50 per common share if such conversion takes place on and after January 15, 1961 and on or before January 15, 1963 (ii) at a price of \$7.50 per common share if each conversion takes place after January 15, 1963 and on or before January 15, 1965 and (iii) at the price of \$10.00 per common share if such conversion takes place after January 15, 1965.

SEVEN ARTS PRODUCTIONS LIMITED
(formerly Creative Telefilms & Artists Limited)

Unaudited Interim Balance Sheet

December 31, 1960

All amounts expressed in Canadian funds

ASSETS

Current Assets

Cash		\$144,067.87
Due from Broker		249,486.06
Accounts receivable		42,984.06
Television film exhibition contracts receivable to be billed in one year		228,305.94
Prints, at cost less accumulated amortization (\$189,617.66)		4,559.43
Total current assets		<u>669,403.36</u>

Investments in and advances to subsidiary and affiliated companies, at cost

Shares	\$2,071,887.50	
Advances	<u>3,714,798.66</u>	5,786,686.16

Sundry Advances

926,280.38

Television film exhibition contracts receivable

551,908.29

Less portion to be billed within one year - see above

228,305.94

323,602.35

Film and other rights

U.S. and Canadian film rights for post 1948 library
of Warner Bros. Pictures Inc., at cost

10,723,350.00

Canadian film rights for pre-1949 library of

Warner Bros. Pictures Inc. and Popeye cartoons, at cost \$1,364,611.27

Less accumulated amortization

345,962.55

1,018,648.72 11,741,998.72

Office furniture, improvements and automobile, at cost

27,841.44

Less accumulated depreciation

11,251.98

16,589.46

Deferred charges

Debenture issue expense, at cost, less
amortization to date (\$4,831.37)

51,333.28

Organization and reorganization expenses, at cost

8,595.60

59,928.88

\$19,524,489.31

LIABILITIES AND CAPITAL

Current Liabilities

Notes payable - due within one year		\$ 181,871.41
Accrued interest payable on debentures		382,805.66
Accounts payable and accrued liabilities		104,409.56
Taxes on income		28,862.45
Total current liabilities		<u>697,949.08</u>

Notes Payable - non interest bearing

\$318,274.97

Less portion due within one year (see above)

181,871.41

136,403.56

Unfulfilled television film exhibition contracts

551,908.29

5½% Convertible debentures, due January 15 1968
(\$15,000,000.00 U.S.)

14,475,000.00

Reserve for foreign exchange

165,439.27

Shareholders' Equity

Capital Stock

authorized - 5,000,000 shares without par value

issued and fully paid - 1,153,250 shares

3,948,118.75

Deficit

450,329.64

3,497,789.11

\$19,524,489.31

N.B. Notes 4b & c, 6 - attached to the Consolidated Balance Sheet of
December 31 1960 are also applicable to the Unaudited Interim Balance
Sheet for Seven Arts Productions Limited as of December 31 1960.

"E. D. Wright"

DIRECTOR

"G. P. Cass"

DIRECTOR

SEVEN ARTS PRODUCTIONS LIMITED
Statement of source and application of funds
for the period February 1 to December 31 1960
(Expressed in Canadian funds)

SOURCE

Sale of \$15,000,000 U.S. 5½% convertible debentures	\$14,475,000.00
Film rental income	334,891.54
Interest income	119,093.68
Sale of 5,000 common shares (exercise of option)	20,000.00
Gain on maturity of treasury bill	8,042.50
on U.S. funds	165,439.27
Sale of office furniture	1,140.00
Notes payable	318,274.97
	<u>\$15,441,881.96</u>

APPLICATION

Debenture holders' interest expense	\$ 553,088.57	
General & administrative expenses	200,166.64	
Debenture issue expense	56,164.65	
Selling expenses	53,558.64	
Purchase of prints	11,183.93	
Increase in cost of pre - 1949 films	5,258.06	
Leasehold improvements	826.00	
Reorganization expenses	750.00	
Purchase of office equipment	667.50	
Purchase of film rights post 1948	10,723,350.00	
Investment in shares of:		
Transworld Pictures, S.A.	6,062.50	
Barbizon Productions Corporation	16,975.00	
Seven Arts Associated Corp.	250,000.00	
Advances to subsidiary and affiliated companies:		
G.J. Associates Inc.	154,312.19	
Seven Arts Associated Corp.	2,089,975.26	
Seven Arts Records Productions Inc.	515,792.25	
Seven Arts Productions Int'l. Inc.	680,296.65	
Barbizon Productions Corporation	9,775.00	
Other advances:		
David Selznick	498,125.00	
Various properties in production	557,160.50	<u>\$16,383,488.34</u>
Decrease in working capital		<u>\$ 941,606.38</u>

10. Brief statement of company's chief development work during past year.	During the past year, the Company has engaged, principally through the medium of television, in exploiting the Pre-1948 library of Warner Bros. Pictures, Inc. and certain Popeye cartoons. The Company, through its subsidiaries, has also engaged in the exploitation of certain additional motion pictures of Warner Bros. Pictures, Inc., the rights to which were acquired under agreement dated July 13, 1960. The Company, through a subsidiary, has also engaged in the business of producing and distributing phonograph records.										
11. Names and addresses of vendors of any property or other assets intended to be purchased by the company showing the consideration to be paid.	Reference is made to Item 1 for details of the property and other assets intended to be purchased by the Company.										
12. Names and addresses of persons who have received or will receive a greater than 5% interest in the shares or other consideration to be received by the vendor. If the vendor is a limited company, the names and addresses of persons having a greater than 5% interest in the vendor company.	So far as is known to the Company, there is no person, other than the vendors referred to in Item 1, who will receive a greater than 5% interest in the consideration to be received by the said vendors.										
13. Number of shares held in escrow or in pool and a brief statement of the terms of escrow or the pooling agreement.	So far as is known to the Company, there are no shares held in escrow or in pool.										
14. Names and addresses of owners of more than a 5% interest in escrowed shares and their shareholdings (If shares are registered in the names of nominees or in street names, give names of beneficial owners, if possible.)	Not Applicable.										
15. Names, addresses and shareholdings of five largest registered shareholders and if shareholdings are pooled or escrowed, so stating. If shares are registered in names of nominees or in street names, give names of beneficial owners, if possible, and if names are not those of beneficial owners, so state.	The 5 largest shareholders as at March 17, 1961 as reported by The Toronto General Trusts Corporation, the Company's Transfer Agent and Registrar were: <table> <tr> <td>Eliot Hyman, North Avenue, Westport, Conn.</td> <td>150,001 shs.</td> </tr> <tr> <td>Bache & Company, 360 Bay St., Toronto</td> <td>71,159 "</td> </tr> <tr> <td>E. T. Lynch & Company, 55 Yonge St., Toronto</td> <td>38,109 "</td> </tr> <tr> <td>Draper, Dobie & Company, 25 Adelaide St. Toronto</td> <td>18,810 "</td> </tr> <tr> <td>J. R. Williston & Bean, 2 Broadway, N.Y. 4</td> <td>13,858 "</td> </tr> </table>	Eliot Hyman, North Avenue, Westport, Conn.	150,001 shs.	Bache & Company, 360 Bay St., Toronto	71,159 "	E. T. Lynch & Company, 55 Yonge St., Toronto	38,109 "	Draper, Dobie & Company, 25 Adelaide St. Toronto	18,810 "	J. R. Williston & Bean, 2 Broadway, N.Y. 4	13,858 "
Eliot Hyman, North Avenue, Westport, Conn.	150,001 shs.										
Bache & Company, 360 Bay St., Toronto	71,159 "										
E. T. Lynch & Company, 55 Yonge St., Toronto	38,109 "										
Draper, Dobie & Company, 25 Adelaide St. Toronto	18,810 "										
J. R. Williston & Bean, 2 Broadway, N.Y. 4	13,858 "										
16. Names, and addresses of persons whose shareholdings are large enough to materially affect control of the company.	The Company is not aware of any persons who by reason of beneficial ownership of securities of the Company are in a position to materially affect control of the Company. However, the present directors if they are able to obtain sufficient proxies from shareholders, including those shown in item 15 above, may be in a position to elect or cause to be elected a majority of directors. If all convertible debentures are converted to common shares in the capital of the Company, the holders of the debentures may be in a position to control the Company.										
17. If assets include investments in the shares or other securities of other companies, give an itemized statement thereof showing cost or book value and present market value.	See attached Schedule "C" on page 3.										
18. Brief statement of any lawsuits pending or in process against company or its properties.	The Company is one of the defendants in an action commenced by Lester K. Striker in June, 1957 in the Court of Chancery of the State of Delaware.										
19. Statement of any other material facts and if none, so state.	Not Applicable										

CERTIFICATE OF THE COMPANY

DATED March 20, 1961.

The foregoing, together with the financial information and other reports where required, constitutes full, true and plain disclosure of all material facts in respect of the matters referred to in Item 1 above and in respect of the company's affairs and there is no further material information applicable. (To be signed by two principal signing officers who are directors and the corporate seal to be affixed.)

"G. P. Cass"

"E. D. Wright"

CERTIFICATE OF UNDERWRITER OR OPTIONEE

CORPORATE
SEAL

DIRECTOR

DIRECTOR

To the best of my knowledge, information and belief, the foregoing, together with the financial information and the reports where required, constitutes full, true and plain disclosure of all material facts in respect of the matters referred to in Item 1 above in respect of the company's affairs. Concerning matters which are not within my knowledge, I have relied upon the accuracy and adequacy of the information supplied to me by the company. (To be signed by underwriter or optionee registered with the Ontario Securities Commission or a corresponding body.)

TORONTO STOCK EXCHANGE

FILING STATEMENT No. 608.
FILED, AUGUST 29th. 1961.

SEVEN ARTS PRODUCTIONS LIMITED

Full corporate name of Company
Incorporated under the laws of Ontario by letters patent
dated August 29, 1919

Particulars of incorporation (e.g., Incorporated under Part IV of the Corporations Act, 1953
(Ontario) by Letters Patent dated May 1st, 1957).

Reference is made to previous
Amending Filing Statement No. 35.

FILING STATEMENT

(To be filed with respect to any material change in a company's affairs, including among other things,
an underwriting and option agreement, an issue of shares for property and a proposed re-organization.)

1. Brief statement of the material change in the affairs of the company in respect of which this statement is filed.	See Schedule 'A' on pages 2 & 3.
2. Head office address and any other office address.	11 Adelaide Street West, Toronto, Ontario.
3. Names, addresses and chief occupations for the past five years of present or proposed officers and directors.	See Schedule 'B' on page 4.
4. Share capitalization showing authorized and issued and outstanding capital.	The authorized capital of the Company consists of 5,000,000 common shares without par value, of which 1,153,250 are issued and outstanding. Upon the issue of supplementary letters patent in relation to the special resolution referred to in Item 1(a), the authorized capital of the Company will consist of 5,000,000 common shares without par value, of which 576,625 will be issued and outstanding.
5. Particulars in respect of any bonds, debentures, notes, mortgages, charges, liens or hypothecations outstanding.	The Company created and issued \$15,000,000 (U.S.) principal amount of 5½% Convertible Debentures due January 15, 1968 for a consideration of \$15,000,000 (U.S.). The debentures are direct obligations of the Company and are issued under and pursuant to a Trust Indenture dated as of January 15, 1960 and made between the Company and The Toronto General Trusts Corporation and The Franklin National Bank of Long Island, as Trustees. The debentures are not secured by any mortgage, pledge, charge, or other lien. There is no sinking fund for the debentures. The debentures are convertible on or after January 15, 1961 into fully paid and non-assessable common shares in the capital of the Company at the price of \$6.50 (U.S.) per share if such conversion takes place on and after January 15, 1961 and on or before January 15, 1963; at the price of \$7.50 (U.S.) per share if such conversion takes place after January 15, 1963 and on or before January 15, 1965; at the price of \$10.00 (U.S.) per share if such conversion takes place after January 15, 1965.
6. Details of any treasury shares or other securities now the subject of any underwriting, sale or option agreement or of any proposed underwriting, sale or option agreement.	See Schedule 'C' on page 5.
7. Names and addresses of persons having any interest, direct or indirect in underwritten or optioned shares or other securities or assignments, present or proposed, and, if any assignment is contemplated, particulars thereof.	Reference is made to Item 6.
8. Any payments in cash or securities of the company made or to be made to a promoter or finder in connection with a proposed underwriting or property acquisition.	None
9. Brief statement of company's future development plans, including proposed expenditure of proceeds of sale of treasury shares, if any.	The Company, directly or through its subsidiaries, will engage in the amusement industry, particularly in the television, motion picture, theatrical and musical phases thereof. The Company and/or its subsidiaries have acquired rights to motion pictures, to a substantial number of produced pictures now in theatrical and/or television release and to a number of pictures now in production and to be released. As stated in Item 1, the Company proposes to invest in the stock of The Grand Bahama Development Company Limited.

SCHEDULE 'A'

- (a) On June 15, 1961, the shareholders of the Company confirmed a special resolution passed by the Board of Directors on May 5, 1961 authorizing an application for supplementary letters patent
- (i) changing the name of the Company to Consolidated Seven Arts Productions Limited;
 - (ii) consolidating the 1,153,250 issued common shares of the Company without par value into 576,625 issued common shares of the Company without par value;
 - (iii) increasing the authorized capital of the Company by creating an additional 576,625 common shares without par value;
 - (iv) declaring the authorized capital of the Company to be divided into 5,000,000 common shares without par value.

At the said meeting of shareholders, a resolution was passed authorizing the Directors of the Company to defer making application for supplementary letters patent until such time as the Directors determine, but in no event later than November 15, 1961.

- (b) The Company proposes to have a wholly owned subsidiary acquire for approximately \$5,000,000 (U.S.) a 20.9% common stock interest in a Bahamian Development Company (the "Development Company") which has been incorporated. Of the balance of the stock of the Bahamian Development Company 50% will be owned by the Grand Bahama Port Authority, Limited (the "Port Authority") and 20.9% will be owned by Lorado of Bahamas Limited and 8.2% by Mr. Louis Chesler, a director of the Company. The Port Authority has been granted broad powers by the 1955 Act of the Bahamas Legislature which was amended in 1960. As a result of this Act a "free port" has been established under a contract between the Port Authority and the Government of the Bahamas. The principal provisions of the contract between the Bahamian Government and the Port Authority, as amended, insofar as the Development Company is concerned, are as follows:

- (1) The Agreement is for 99 years from August 4, 1955.
- (2) The Port Authority is required:
 - (a) to provide schools and educational facilities and hospital and medical facilities according to standards set by the Bahamian Government and free living and office accommodations for the Bahamian Government and its employees; and
 - (b) reimburse the Government for certain administrative expenses.
- (3) For 30 years from August 1955 business in a free port area is exempt from income, capital gains, real estate and personal property taxes. No excise taxes or custom duties (except on goods for personal consumption) may be levied for 99 years.
- (4) Certain preferences must be given by the Port Authority and its licensees, including the Development Company, in the employment of Bahamian labor.
- (5) The Port Authority is granted the power to control building, commerce, business and utilities within the Port area, which power may be exercised by granting licenses to others.
- (6) The Port Authority must construct a 200 room de luxe resort hotel on or before December 31, 1963.
- (7) Except as otherwise provided, the other laws of the Bahamian Government apply in the Port Authority area. The maintenance of law and order is a function of the Bahamian Government.

Essentially, the contract provides that the Port Authority will convey at least 85,000 acres owned by it in the Grand Bahama Island to the Development Company for its 50% of the stock of the Development Company. The remaining investors in the Development Company, apart from the Company, will pay approximately \$7,000,000 (U.S.) for the remaining 29.1% of the stock of the Development Company. There are certain special shares to be issued by the Development Company which will insure that the Port Authority and the Company will for a number of years have the right to elect at least two directors each to the Board of Directors of the Development Company. These special shares are the subject of a Stock Restriction Agreement between the Company and the Port Authority, giving each the right of first refusal on the special shares of the other.

A Utility Company will be organized, 50% of the stock of which will be purchased by the Port Authority for \$378,000 (U.S.) and the balance by the Development Company for a similar amount. A Service Company will likewise be organized, with the stock similarly distributed for a purchase price of \$420,000 (U.S.) to each participant. An Airport Company will be organized, the stock of which will be owned by the Service Company. The Utility Company will take over the existing utility investment of the Port Authority for the Port Authority's cost not to exceed approximately \$518,000 (U.S.). The Service Company will take over the existing supermarket and other stores and airport facilities of the Port Authority for the Port Authority's cost not to exceed approximately \$840,000 (U.S.). Leases for 999 years of certain lands used in connection with the Utility Company operations and the Airport Company operations will be made to the Utility Company and the Service Company by the Port Authority, and the Service Company will in turn sublease certain lands to the Airport Company. Appropriate licenses under the Agreement between the Government of the Bahamas and the Port Authority will be issued to the respective companies. Certain commitments of the Port Authority will be assumed by the Utility Company and the Service Company. The Development Company, the Service Company, the Utility Company and the Airport Company will assume the commitments with respect to the acreage owned or leased by each concerning school and educational facilities, hospital and medical facilities, free living and office accommodations and the like, which by the Government agreement are placed upon the Port Authority. There also will be an agreement with respect to reclamation of certain swamp lands, as well as with respect to the present electrical installations and telephonic installations which are not being acquired by the Utility Company. The Development Company will receive an option with respect to the lease and purchase in fee of the Caravel Club which is presently in operation.

The Development Company also has assumed the obligation of building the required hotel before December 31, 1963.

- (c) Effective February 1, 1961, the Company employed A. C. Cowan as a consultant with respect to the Bahamas project referred to in clause (b) above. As part of the arrangements with Mr. Cowan, the Company has granted to Mr. Cowan, subject to revocation if such grant is not approved by the Toronto Stock Exchange, a stock option to purchase at any time or from time to time after October 28, 1961 and prior to April 28, 1966 an aggregate of 12,500 common shares in the capital of the Company at a price of \$15 Canadian per share. The option price was greater than the market price of the common shares of the Company on the date the option was granted. At the request of the Toronto Stock Exchange Mr. Cowan's option will be submitted to the next meeting of shareholders for ratification.
- (d) The Company proposes to acquire from The First National Bank of Boston for \$1,000,000 (U.S.) the indebtedness of C & C Films, Inc. and C & C International Film Corp. to The First National Bank of Boston in the amount of \$1,000,000 (U.S.). The funds necessary to enable the Company to make this acquisition will be acquired by it by way of loan from The First National Bank of Boston and the existing loan agreements between the Company and the Bank will be amended to provide for the increased loan. The repayment of the increased loan will be secured by the indebtedness of C & C Films, Inc. and C & C International Film Corp. which, after being assigned by the Bank to the Company, will be repledged by it to the Bank. C & C Films, Inc. and C & C International Film Corp. own and hold the exclusive theatrical, non-theatrical and television rights throughout the world except the United States of America to certain feature films and short subjects to the extent that the same were acquired from RKO Radio Pictures, Inc. (now known as RKO General, Inc.) which feature films and short subjects are hereinafter referred to as the "RKO library". In consideration of the Company purchasing the indebtedness of C & C Films, Inc. and C & C International Film Corp. to the Bank, the Company will be entitled to receive 6-2/3% of the gross receipts from the exploitation of the RKO library in all countries except the United States of America, provided, if the indebtedness is fully repaid within 120 days, the 6-2/3% is to be reduced to 5% and provided further that this percentage will be reduced to 2 1/2% if the indebtedness is repaid in 60 days. The applicable percentage is payable to the Company in perpetuity.

Under the terms of the agreements between the Company, C & C Films, Inc. and C & C International Film Corp., the indebtedness is to be reduced to \$666,667 (U.S.) by the first anniversary date, to at least \$333,333 (U.S.) by the second anniversary date and is to be repaid in full by the third anniversary date. If the minimum annual payments are not made, the Company has the right to take over distribution of the RKO library and in such circumstances and in addition to the percentage of gross receipts above referred to the Company is entitled to a distribution fee equal to 15% of its gross receipts from the RKO library.

The obligation of the Company under the aforesaid agreement will be guaranteed by the Company's subsidiary, Seven Arts Associated Corp..

SCHEDULE 'B'

Gregson Bautzer	Director	750 Lausanne Road, Bel Air, California	Attorney- at-Law
Joseph Peter Binns	Director	Waldorf Towers, Park Avenue & 50th, New York, N.Y.	Hotel Executive
Garfield P. Cass	Treasurer, Director	2500 Bathurst Street, Toronto, Ontario	Executive
Louis Chesler	Chairman of the Board of Directors, Director	233 Kings Point Rd., Great Neck, Long Island, New York	Executive
Alfred C. Cowan	Vice-President - Real Estate, Director	75 Douglas Drive, Toronto, Ontario.	Insurance Executive
Charles G. Goldsmith	Director	970 Park Avenue, New York 28, N.Y.	Investment Banker
Samuel Haims	Director	Jeanne Court, Stamford, Conn.	Independent C.P.A. and Executive
Eliot Hyman	Executive Vice- President, Director	North Avenue, Westport, Conn.	Executive
John S. Kelly	Director	95 Lake Road, Manhasset, L.I., New York	Self Employed
John R. McCrary	Vice-President - Public Relations, Director	1100 Northern Blvd., Manhasset, L.I., New York	Public Relations Counsel
Maxwell M. Rabb	Director	145 Central Park West, New York 23, N.Y.	Attorney- at-Law
Carroll Rosenbloom	Director	109 South Pembroke, Margate, New Jersey	Executive
Ray Stark	Senior Vice- President - Production, Director	232 South Mapleton Dr., West Los Angeles, Cal.	Executive
David B. Stillman	President, Director	82 Coleytown Rd., Westport, Conn.	Attorney- at-Law
Edward D. Wright	Comptroller, Director	26 Cardy Place, Scarboro, Ontario	Chartered Accountant
Kenneth Hyman	Vice-President - Foreign	270 Park Avenue, Room 1515, New York, N.Y.	Executive
James L. Rawlins	Secretary	686 Yonge Street, Toronto, Ontario	Office Manager
Sidney Kiwitt	Assistant Secretary and Assistant Treasurer	270 Park Avenue, Room 1515, New York, N.Y.	Executive

SCHEDULE 'C'

Mr. Morton I. Craft holds an option to purchase all or any part of 12,500 common shares at a price of \$4 per share, which option may be exercised by Mr. Craft at any time during his five year employment term with Seven Arts Record Productions Corp. (formerly United Telefilm Record Inc.), provided that Mr. Craft shall not be entitled to purchase more than 2,500 common shares during the first year of his employment, more than 5,000 common shares during the second year of his employment, more than 7,500 common shares during the third year of his employment, more than 10,000 common shares during the fourth year of his employment or more than 12,500 common shares during the fifth year of his employment.

As stated in Item 5, the Debentures of the Company are convertible into common shares on the basis set out in said Item.

The Company has granted the following restricted stock options:

<u>Name of Optionor</u>	<u>Number of Shares</u>	<u>Price</u>	<u>Expiry</u>
David B. Stillman	75,000	\$9.62	June 13, 1965
Eliot Hyman	50,000	9.62	June 13, 1965
J. R. McCrary	25,000	9.62	June 13, 1965
Samuel H. Haims	10,000	9.62	June 13, 1965
Kenneth Hyman	25,000	7.78	October 31, 1963
Ray Stark	75,000	9.50(U.S.)	November 30, 1965

The aforesaid options are not assignable or transferable except to the extent that the estate of a holder may exercise the options at any time during a period of two years following the date of death of the holder. The options expire three months following the cessation of the holder's employment by the Company or a subsidiary in the event such cessation of employment occurs prior to the expiry date of the option.

The Company has adopted a restricted stock option plan for key personnel of the Company and its subsidiaries pursuant to which options on not more than 100,000 shares may be granted from time to time by the Board of Directors or by a stock option committee. Reference is made to Filing Statement No. 564 for details of the stock option plan. To date the following options of five years duration have been granted by the Board of Directors or by the stock option committee:

<u>Name of Employee</u>	<u>Date</u>	<u>No. of Shares</u>	<u>Price (Canadian)</u>
Robert Hoffman	8/8/60	5,000	\$9.62
Donald Klauber	8/8/60	10,000	9.62
Lloyd W. Krause	8/8/60	5,000	9.62
George Mitchell	8/8/60	5,000	9.62
W. Robert Rich	8/8/60	10,000	9.62
Herbert Richek	8/8/60	5,000	9.62
Lester Tobias	8/8/60	5,000	9.62
E. D. Wright	8/8/60	5,000	9.62
Jeremy Hyman	9/12/60	5,000	9.62
John N. Heim, Jr.	10/18/60	5,000	9.62
David Hunt	12/12/60	5,000	9.62
William Fadiman	2/1/61	1,000	9.62
Ben F. Elrod	2/27/61	5,000	9.62
William O. Humpries	4/17/61	500	11.42
William O. Humpries	5/1/61	4,500	10.69
S. Kiwitt	5/1/61	2,500	10.69

SCHEDULE 'D'

		<u>COST</u>
Seven Arts Record Productions Corp. 701 Seventh Avenue, New York 36, New York.	130,000 Class B common shares \$1.00 par value	\$ 130,000.00
G. J. Associates, Inc., Suite 1616, 1501 Broadway, New York 36, New York.	100 no par value common shares	100.00
Seven Arts Associated Corp., 270 Park Avenue, Room 1515, New York 17, New York.	250 no par value common shares	250,000.00
Seven Arts Productions International Inc., c/o International Trust Company of Liberia, 80 Broad Street, Monrovia, Liberia.	100 no par value common shares	- 1,668,750.00
Seven Arts Productions Inc., 294 Main Street, Stamford, Connecticut.	2,500 no par value common shares	
Barbizon Productions Corp., 41 East 42nd Street, New York, New York	2 Class B common shares, no par value	16,975.00
Transworld Pictures, S.A., c/o Mr. Eric Sandoz, 1 Rue de Rhone, Geneva, Switzerland.	50% interest	6,062.50
Seven Arts Productions (U.K) Limited, 3 Lees Place, London, W.1.	98 common shares par value £1	£98 .0.0

SCHEDULE 'E'

- (a) Two agreements each dated December 16, 1957 between the Company and Globe Films Productions Limited pursuant to which the Company acquired the right to exhibit and distribute the Pre-1948 Warner Bros. library and a number of Popeye cartoons.
- (b) Agreement dated July 13, 1960 between the Company and Warner Bros. Pictures, Inc. pursuant to which the Company was granted the exclusive license for free television exhibition and distribution of 122 feature motion pictures in the continental United States, Alaska, Hawaii and Canada for a maximum period of seven years from September 1, 1960.
- (c) Agreements dated February 3, 1961 between the Company and The First National Bank of Boston and between Seven Arts Associated Corp. and The First National Bank of Boston relating to the loan made by The First National Bank of Boston.
- (d) Two agreements between Seven Arts Associated Corp. and Twentieth Century-Fox Film Corporation pursuant to which Seven Arts Associated Corp. acquired the exclusive right for a period of 10 years to distribute for telecasting 88 feature motion pictures of Twentieth Century-Fox Film Corporation.
- (e) Employment contracts dated June 13, 1960 between the Company and Messrs. David B. Stillman, Eliot Hyman and J. R. McCrary.
- (f) Employment contract, effective August 1, 1960, between Seven Arts Associated Corp. and Samuel Haims.
- (g) Employment contract between Seven Arts Associated Corp. and Mr. M. Kenneth Hyman.
- (h) Agreement dated March 21, 1961, but effective February 15, 1961, between the Company and Ray Stark for the acquisition by the Company of all the issued and outstanding shares of World Enterprises, Inc., World Film Limited and Worldwide Productions, Inc. for the consideration and on the terms set out in Amending Filing Statement No. 35 accepted for filing May 4, 1961.

In addition to the foregoing, the Company and its subsidiaries have entered into various contracts with television stations and with respect to various motion pictures, all of which are considered to have been entered into in the ordinary course of the business of the Company and its subsidiaries.

ASSETS

Current assets:			
Cash			\$ 1,000,000
Notes and accounts receivable:			254,556
Trade (notes 2 and 6)	\$ 1,609,215		372,284
Other	149,020		415,906
			<u>2,042,746</u>
Advances and investments in motion pictures for theatrical distribution and legitimate theatrical productions:			
Productions in distribution, at cost less amortization (note 3)	6,942,976		\$10,000,000
Productions in process, at cost	8,672,781		1,000,000
Literary rights and legitimate theatrical production advances, not in excess of cost (note 11)	1,333,214		9,000,000
	16,948,971		15,000,000
Less indebtedness payable solely out of income derived from distribution	11,595,535		121,704
Prints and prepaid expenses			<u>24,121,704</u>
Total current assets			1,313,984
Investments in and advances to 50% owned companies:			
Shares, at cost	136,350		
Advances	670,000		
	806,350		
Less provision to reduce investment and advances to underlying net equity			3,798,000
Notes and accounts receivable—due after one year (notes 2 and 6)			
Film libraries in television distribution, at cost (notes 4 and 6)	12,461,414		
Less accumulated amortization	1,184,136		
Cash restricted for investment in The Grand Bahama Development Company Limited (note 5)			1,405,000
Furniture, fixtures and leasehold improvements, at cost, less accumulated depreciation and amortization of \$18,566			<u>2,393,000</u>
Other assets:			950,886
Unamortized debt expense	51,211		
Other	61,831		
			1,442,112
Total assets—substantially all pledged (note 6)			<u>\$28,920,546</u>

See accompanying notes to financial statements.

LIABILITIES AND SHAREHOLDERS' EQUITY

Current liabilities:			
Current portion of bank loan (note 6)			\$ 1,000,000
Notes payable—other			254,556
Accounts payable			372,284
Accrued expenses			415,906
Total current liabilities			<u>2,042,746</u>
Long term debt:			
Bank loan (note 6)			\$10,000,000
Less current portion			1,000,000
			9,000,000
5½% convertible debentures due January 15, 1968 (note 7)			15,000,000
Notes payable—other			121,704
			<u>24,121,704</u>
Deferred income and credits (note 2)			1,313,984
Shareholders' equity:			
Capital stock (notes 7, 8, 9 and 12)			3,798,000
Authorized 5,000,000 shares, no par value			
Issued and outstanding 1,153,250 shares			
Less excess of stated value of capital stock issued over par value of capital stock acquired—in accordance with pooling of interests concept (note 1)			1,405,000
			<u>2,393,000</u>
Less deficit (note 6) (See accompanying statement)			950,886
			1,442,112
Contingent liabilities and commitments (notes 11 and 12).			
Total liabilities and shareholders' equity			<u>\$28,920,546</u>

Approved on behalf of the Board:

GARFIELD P. CASS, Director
E. D. WRIGHT, Director

Seven Arts Productions Limited

AND SUBSIDIARIES

(formerly Creative Telefilms & Artists Limited)

STATEMENT OF CONSOLIDATED RETAINED EARNINGS (DEFICIT)

YEAR ENDED JANUARY 31, 1961

(Stated in U.S. Dollars)

Retained earnings of Seven Arts Productions Limited at January 31, 1960 (Canadian \$23,347)	\$	23,989
Net retained earnings of Seven Arts Productions International, Inc. and Seven Arts Productions, Inc. acquired— in accordance with pooling of interests concept (note 1)		<u>115,335</u> 139,324
Less—net loss for year per accompanying statement		<u>1,090,212</u>
Retained earnings (deficit) at January 31, 1961	\$	<u><u>(950,888)</u></u>

Seven Arts Productions Limited

AND SUBSIDIARIES

(formerly Creative Telefilms & Artists Limited)

STATEMENT OF CONSOLIDATED EARNINGS

YEAR ENDED JANUARY 31, 1961

(Stated in U.S. Dollars)

Film rentals and related items (note 2)		\$ 3,356,892
Amortization and related costs:		
Amortization of film libraries and motion pictures in television and theatrical distribution (notes 3 and 4)	\$ 1,754,413	
Participation and other costs	<u>366,059</u>	<u>2,120,472</u> 1,236,420
Selling, general and administrative expenses, including depreciation and amortization of \$8,527		<u>1,110,211</u>
Operating income		<u>126,209</u>
Interest and other deductions, net:		
Interest and amortization of debt expense on 5½% convertible debentures	630,538	
Other interest	<u>24,811</u>	
	655,349	
Less interest income	<u>126,928</u>	
	528,421	
Provision to reduce investment and advances to underlying net equity of a 50% owned company	<u>770,000</u>	<u>1,298,421</u>
Loss before recovery of taxes on income		<u>1,172,212</u>
Recovery of parent company taxes under the loss carry back provisions of the Canadian tax acts		82,000
Net loss		<u><u>\$ 1,090,212</u></u>

See accompanying notes to financial statements,

Seven Arts Productions Limited

AND SUBSIDIARIES

(formerly Creative Telefilms & Artists Limited)

NOTES TO FINANCIAL STATEMENTS

(Stated in U.S. Dollars)

1. Principles of consolidation:

The accompanying consolidated financial statements include all subsidiaries.

Assets, liabilities and income and expense arising in Canadian dollars have been converted to United States dollars on the following bases:

- (a) Current assets and current liabilities at the rate of exchange prevailing at January 31, 1961
- (b) Other assets and liabilities and shareholders' equity at rates prevailing at the various dates of acquisition or assumption.
- (c) Income and expense (other than amortization) at an average rate for the year; amortization has been recorded at historic rates.

Effective May 31, 1960 and pursuant to an agreement dated September 30, 1960 the company acquired for 150,000 shares of its capital stock, Seven Arts Productions, Inc. and Seven Arts Productions International, Inc. (incorporated under the laws of Liberia). As this transaction has been recorded in accordance with the pooling of interests concept, the accompanying financial statements include the operation of the acquired companies for the entire fiscal year ended January 31, 1961.

Seven Arts Productions, Inc. which had a deficit at January 31, 1961 is considered as wholly owned since in connection with its acquisition the company also acquired an option to purchase for \$10,000 the remaining 40% interest therein which presently is in a voting trust with the company's nominee as trustee. An advance of \$10,000 has been made to the owner of the 40% interest and a note for that amount has been received in return. The company intends to offset the note receivable as payment for the option in March 1963, the date when the option is exercisable.

2. Television film exhibition contracts:

Television film exhibition contracts, except for Canadian contracts, have been included in income when the contracts have been executed. With respect to Canadian contracts, only that portion billed during the year has been reflected in income. The instalments remaining to be billed on the Canadian contracts have been included in "Deferred Income and Credits" and will be recorded as income when billed.

3. Amortization policy for motion pictures in theatrical distribution:

The cost of each released feature production is amortized for financial statements on the following bases:

- (a) Productions financed by others, and where indebtedness in respect thereof is repayable solely out of income derived from distribution of the films, are amortized on the basis of repayment of the indebtedness.
- (b) Productions in which the company has a minority producer's interest, and where the company does not control the production, are amortized over twenty-four months based on past film rental income experience.
- (c) Productions which the company owns outright are amortized on the basis designed to provide annual amortization charges in the proportion that each year's actual gross film rental bears to management's estimate of the total film rental that will be realized.

While the advances and investments in motion pictures for theatrical distribution will not be entirely liquidated within one year, it is the practice of this industry to include such assets among the current assets.

4. Film libraries in television distribution:

During July, 1960, the company acquired from Warner Brothers Pictures, Inc., the exclusive license to distribute in the United States and Canada certain post-1949 motion pictures for a period of seven years from September 1, 1960. The company also has the Canadian distribution rights to the pre-1949 Warner Brothers Pictures, Inc., films.

The film libraries are being amortized for financial statement purposes, on a basis designed to provide annual amortization charges in the proportion that each year's actual gross film rental bears to management's estimate of the total film rental that will be realized. Such estimate is reviewed by management each year and may be revised, if warranted, by changing conditions.

5. Cash restricted for investment in The Grand Bahama Development Company Limited:

The company proposes to acquire for \$5,000,000 approximately 21% of the common stock of The Grand Bahama Development Company Limited. Based on an agreement between the Grand Bahama Port Authority Limited, which will own 50% of the development company, and the Government of the Bahama Islands, the development company will develop residential, recreational and certain other areas on Grand Bahama Island. Of the proceeds received from the bank loan, \$4,500,000 is restricted for investment in The Grand Bahama Development Company Limited.

6. Bank loan:

On February 3, 1961, a subsidiary entered into a revolving credit agreement (guaranteed by the parent company) with a bank to borrow \$10,000,000 at an annual cost of 5¾%. The agreement terminates February 3, 1963. Of the proceeds, \$4,500,000 is restricted for investment in The Grand Bahama Development Company Limited and \$2,000,000 was applied to the repayment of a note payable dated January 5, 1961 and the balance of the proceeds is unrestricted. The loan is repayable by applying all proceeds received from television film distribution income; a percentage of the income may be re-borrowed.

The loan agreement, among other things, restricts the company and certain of its subsidiaries from paying dividends other than in stock and also contains restrictions with respect to certain investments and to the creation of additional debt or guarantees. In addition, there has been mortgaged and assigned to the bank substantially all the assets of the company including accounts receivable and film libraries.

The above transaction has been included in the accompanying financial statements as if completed on January 31, 1961.

7. 5½% convertible debentures due January 15, 1968:

The debentures are unsecured and are issued under the terms of a trust indenture. The trust indenture provides, among other things, for the redemption, at the option of the company, of the debentures at a premium of 6% after February 15, 1961 and thereafter at a premium which decreases at an annual rate of 1%.

The debentures are convertible into shares of capital stock of the company at a price of \$6.50 per share after January 15, 1961 and prior to January 16, 1963; at a price of \$7.50 per share on or before January 15, 1965 and at a price of \$10.00 per share after January 15, 1965. The aforementioned conversion prices are subject to reduction, under certain conditions, if the company issues additional common shares for a per share consideration less than the conversion price.

8. Capital stock:

The following changes in capital stock took place during the year ended January 31, 1961:

	Number of Shares Issued and Outstanding	Stated Values	
		Canadian Dollars	U.S. Dollars
Amount at January 31, 1960	998,250	\$ 2,259,368	\$ 2,345,400
Issued as fully paid for cash pursuant to stock options	5,000	20,000	20,600
Issued as fully paid in exchange for stock of Seven Arts Productions, Inc. and Seven Arts Productions Inter- national, Inc. (note 1)	150,000	1,400,000	1,432,000
Amount at January 31, 1961	<u>1,153,250</u>	<u>\$ 3,679,368</u>	<u>\$ 3,798,000</u>

9. Stock options:

At May 19, 1961 options, under an employees restricted stock option plan and other individual option agreements, were outstanding with respect to 363,500 shares of unissued stock at the following prices:

Number of Shares	Option price per share
12,500	\$ 4.00 ✓
25,000	7.86
75,000	9.50
231,000	9.72
20,000	10.80 to 15.15
<u>363,500</u>	

The options are exercisable as follows:

Fiscal Year ending January 31	Number of shares
1962	245,834
1963	108,166
1964	7,000
1965	2,500
	<u>363,500</u>

There are certain limitations with respect to the periods in which the options may be exercised. In February 1960, options to purchase 5,000 shares were exercised at \$4.12 per share. At May 19, 1961, 21,500 shares were available for the granting of additional options under the restricted plan.

10. Taxes on income:

In certain cases, income and amortization of properties are recorded in the companies' accounts on bases which differ from those used for income tax purposes. The different tax bases had no material effect on the accompanying financial statements because of losses incurred during the year.

The policies with respect to amortization of properties for tax purposes are subject to review by the various tax authorities.

11. Contingent liabilities and other commitments:

- (a) The company and certain subsidiaries are obligated under leases, expiring after January 31, 1964, having gross annual rentals of \$102,000.
- (b) There are claims and lawsuits, including a stockholders' derivative action, pending against the company. In the opinion of the company's counsels, the liability, if any, is not considered material.
- (c) In connection with the acquisition of certain properties by the company, the company has undertaken, in so far as it may, to indemnify an officer of the company against any loss arising from an agreement, made by that officer with a third party, under which the officer has agreed to purchase from the third party, at the latter's option, 75,000 shares of the capital stock of the company at \$12.00 per share. Such option is exercisable between June 1, 1962 and December 31, 1962.
- (d) On May 4, 1960 the company entered into an agreement to participate in the production of a musical play tentatively entitled "Gone With The Wind". In connection therewith, the company agreed to advance a sum not to exceed \$1,250,000. An amount of \$500,000 has been advanced out of which \$115,242 has been expended. The plans to produce the musical play are still in effect. The exclusive right held with respect to such musical play presently expires on October 31, 1961.

12. Subsequent events:

- (a) By special resolution of the directors, subject to confirmation of the shareholders, the company is authorized to make application to the Lieutenant Governor of the Province of Ontario for Supplementary Letters Patent seeking authorization for the following:
 - (i) Changing the name of the company to Consolidated Seven Arts Productions Limited.
 - (ii) Consolidating the 1,153,250 issued shares of the company, without par value, into 576,625 issued shares of the company, without par value.
 - (iii) Increasing the authorized capital of the company by creating an additional 576,625 shares without par value.
 - (iv) Declaring that the authorized capital of the company shall be divided into 5,000,000 shares, without par value.
- (b) In March, 1961 a subsidiary acquired from Twentieth Century-Fox Film Corporation the exclusive right for a period of ten years to distribute for television distribution certain feature motion pictures in the United States, Canada and parts of Mexico at a cost of \$6,400,000. Of this amount \$4,200,000 was paid to Twentieth Century-Fox from additional borrowings under the revolving credit agreement with the bank, which the parent company guaranteed, as described in note (6) and which was appropriately amended in respect of such borrowing. The rights acquired are pledged with the bank as additional security for the repayment of the total borrowing. The balance of \$2,200,000 will be payable with interest at the rate of 6% within one year from the date of the agreement. After the above cost, including interest, and certain other amounts as defined in the agreement are recouped, Twentieth Century-Fox will receive 50% of the net profits.

In addition, the company acquired distribution rights for the above pictures for the remainder of the world. After the company deducts a distribution fee and certain expenses, Twentieth Century-Fox receives 50% of the remaining net receipts.
- (c) On March 21, 1961, effective February 15, 1961, the company entered into an agreement to acquire all of the issued and outstanding shares of World Enterprises, Inc., Worldfilm Limited and Worldwide Productions, Inc. in exchange for 139,134 shares plus an, as yet, undetermined additional number of shares of stock of the company. The undetermined portion of the shares of the company's stock to be issued on the closing date will be determined by adding one share for each \$10 of net additional cash investment in the World Companies from October 31, 1960 to the date of closing; plus certain additional shares (not to exceed 40,000 shares) in the event certain assets to be acquired from the World companies earn in excess of specified amounts, within five years from March 1961, as defined in the acquisition agreements.

The closing date of the agreement is presently contemplated to be July 31, 1961. The consummation, however, is contingent upon (1) approval of the lender of the funds referred to in (b) above and (2) a ruling of the United States Treasury Department to the effect that the agreement will constitute a tax-free exchange.

AUDITORS' REPORT TO THE SHAREHOLDERS

We have examined the consolidated balance sheet of Seven Arts Productions Limited (formerly Creative Telefilms & Artists Limited) and subsidiaries as of January 31, 1961 and the related statements of consolidated earnings and consolidated retained earnings (deficit) for the year ended on that date. Our examination included a general review of accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, the accompanying consolidated balance sheet and statements of consolidated earnings and consolidated retained earnings (deficit) present fairly the financial position of the companies at January 31, 1961 and the results of their operations for the year ended on that date in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Ontario
May 19, 1961

PEAT, MARWICK, MITCHELL & CO.
Chartered Accountants.

10. Brief statement of company's chief development work during past year.	During the past year, the Company has engaged principally through the medium of television in exploiting the Pre-1948 library of Warner Bros. Pictures, Inc. and certain Popeye cartoons. The Company, through its subsidiaries, has also engaged in the exploitation of certain additional motion pictures of Warner Bros. Pictures, Inc., the rights to which were acquired under agreement dated July 13, 1960. The Company, through a subsidiary, has also engaged in the business of producing and distributing phonograph records and, through another subsidiary, in the business of producing motion pictures.											
11. Names and addresses of vendors of any property or other assets intended to be purchased by the company showing the consideration to be paid.	Reference is made to Item 1 for details of the property and other assets intended to be purchased by the Company.											
12. Names and addresses of persons who have received or will receive a greater than 5% interest in the shares or other consideration to be received by the vendor. If the vendor is a limited company, the names and addresses of persons having a greater than 5% interest in the vendor company.	So far as is known to the Company, there is no person other than the vendors referred to in Item 1 who will receive a greater than 5% interest in the consideration to be received by the vendors.											
13. Number of shares held in escrow or in pool and a brief statement of the terms of escrow or the pooling agreement.	So far as is known to the Company, there are no shares held in escrow.											
14. Names and addresses of owners of more than a 5% interest in escrowed shares and their shareholdings (If shares are registered in the names of nominees or in street names, give names of beneficial owners, if possible.)	Not Applicable											
15. Names, addresses and shareholdings of five largest registered shareholders and if shareholdings are pooled or escrowed, so stating. If shares are registered in names of nominees or in street names, give names of beneficial owners, if possible, and if names are not those of beneficial owners, so state.	<table><tr><td>Eliot Hyman, North Avenue, Westport, Connecticut, U.S.A.</td><td>150,001 shares</td></tr><tr><td>Bache & Company, 360 Bay Street, Toronto, Ontario</td><td>52,940 shares</td></tr><tr><td>E. T. Lynch & Co., 55 Yonge Street, Toronto 1, Ontario</td><td>37,411 shares</td></tr><tr><td>Martin Tannanbaum, 1450 Broadway, New York 18, New York, U.S.A.</td><td>20,200 shares</td></tr><tr><td>Harris, Uppam & Co., 120 Broadway, New York, New York, U.S.A.</td><td>17,514 shares</td></tr></table>		Eliot Hyman, North Avenue, Westport, Connecticut, U.S.A.	150,001 shares	Bache & Company, 360 Bay Street, Toronto, Ontario	52,940 shares	E. T. Lynch & Co., 55 Yonge Street, Toronto 1, Ontario	37,411 shares	Martin Tannanbaum, 1450 Broadway, New York 18, New York, U.S.A.	20,200 shares	Harris, Uppam & Co., 120 Broadway, New York, New York, U.S.A.	17,514 shares
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Harris, Uppam & Co., 120 Broadway, New York, New York, U.S.A.	17,514 shares											
16. Names, and addresses of persons whose shareholdings are large enough to materially affect control of the company.	The Company is not aware of any person who by reason of beneficial ownership of securities of the Company are in a position to materially affect control of the Company. However, the present directors if they are able to obtain sufficient proxies from shareholders, including those shown in Item 15 above, may be in a position to elect or cause to be elected a majority of directors. If all convertible debentures are converted to common shares in the capital of the Company, the holders of the debentures may be in a position to control the Company.											
17. If assets include investments in the shares or other securities of other companies, give an itemized statement thereof showing cost or book value and present market value.	See Schedule 'D' on page 6.											
18. Brief statement of any lawsuits pending or in process against company or its properties.	The Company is one of the defendants in an action commenced by Lester K. Striker in June 1957 in the Court of Chancery of the State of Delaware.											
19. The dates of and parties to and the general nature of every material contract entered into by the company which is still in effect and is not disclosed in the foregoing.	See Schedule 'E' on page 6.											
20. Statement of any other material facts and if none, so state. Also state whether any shares of the company are in the course of primary distribution to the public.	No shares of the Company are in the course of primary distribution to the public											

CERTIFICATE OF THE COMPANY

DATED June 27, 1961

The foregoing, together with the financial information and other reports where required, constitutes full, true and plain disclosure of all material facts in respect of the matters referred to in Item 1 above and in respect of the company's affairs and there is no further material information applicable. (To be signed by two principal signing officers who are directors and the corporate seal to be affixed.)

"G.P. Cass"

CORPORATE
SEAL

"E.D. Wright"

CERTIFICATE OF UNDERWRITER OR OPTIONEE

To the best of my knowledge, information and belief, the foregoing, together with the financial information and the reports where required, constitutes full, true and plain disclosure of all material facts in respect of the matters referred to in Item 1 above in respect of the company's affairs. Concerning matters which are not within my knowledge, I have relied upon the accuracy and adequacy of the information supplied to me by the company. (To be signed by underwriter or optionee registered with the Ontario Securities Commission or a corresponding body.)

TORONTO STOCK EXCHANGE

AMENDING FILING STATEMENT No. 52.
FILED, OCTOBER 26th, 1961.

SEVEN ARTS PRODUCTIONS LIMITED

Full corporate name of Company

AMENDING FILING STATEMENT

(To be filed with respect to any change in a Filing Statement filed within a period of six months)

To be read in conjunction with Filing Statement No. 608 dated June 27, 1961.

Brief statement of the material change in the affairs of the company in respect of which this amending filing statement is filed.	<p>(a) The special resolution referred to in Filing Statement 608 passed by the Board of Directors on May 5, 1961 and confirmed by the shareholders of the Company on June 15, 1961 authorizing an application for supplementary letters patent</p> <p>(1) changing the name of the Company to Consolidated Seven Arts Productions Limited;</p> <p>(11) consolidating the 1,153,250 issued common shares of the Company without par value into 576,625 issued shares of the Company without par value;</p> <p>(111) increasing the authorized capital of the Company by creating an additional 576,625 common shares without par value; and</p> <p>(iv) declaring the authorized capital of the Company to be divided into 5,000,000 common shares without par value</p> <p>was rescinded at a meeting of shareholders of the Company held on October 12, 1961.</p> <p>(b) On October 12, 1961, the shareholders of the Company confirmed a special resolution passed by the Board of Directors on September 21, 1961 authorizing an application for supplementary letters patent to increase the authorized capital of the Company by the creation of an additional 1,000,000 common shares without par value so that the authorized capital of the Company upon the issue of such supplementary letters patent will consist of 6,000,000 common shares without par value.</p> <p>(c) At the said meeting of shareholders held on October 12, 1961, the shareholders of the Company ratified the option granted by the Board of Directors of the Company to Mr. A. C. Cowan to purchase at any time or from time to time after October 28, 1961 and prior to April 28, 1966 an aggregate of 12,500 common shares in the capital of the Company at the price of \$15.00 (Canadian) per share.</p>
3. Names, addresses and chief occupations for the past five years of present or proposed officers and directors.	Edward D. Wright has resigned as a Director of the Company and Alfred Bloomingdale, 900 La Cienega Boulevard, Los Angeles, California, has been elected a Director of the Company.
Statement of any other material facts and if none, so state.	None.

DATED October 17, 1961.

CERTIFICATE OF THE COMPANY

The foregoing, together with the financial information and other reports where required, constitutes full, true and plain disclosure of all material facts in respect of the matters referred to in Item 1 above and in respect of the company's affairs and there is no further material information applicable. (To be signed by two principal signing officers who are directors and the corporate seal to be affixed.)

"G.P. Cass"

"A.C. Cowan"

CORPORATE SEAL

CERTIFICATE OF UNDERWRITER OR OPTIONEE

To the best of my knowledge, information and belief, the foregoing, together with the financial information and the reports where required, constitutes full, true and plain disclosure of all material facts in respect of the matters referred to in Item 1 above and in respect of the company's affairs. Concerning matters which are not within my knowledge, I have relied upon the accuracy and adequacy of the information supplied to me by the company. (To be signed by underwriter or optionee registered with the Ontario Securities Commission or a corresponding body.)

